

To: Audit & Governance Committee

Date: 27 June 2013

Report of: Head of Law and Governance

Title of Report: 2012/13 ANNUAL GOVERNANCE STATEMENT

Summary and Recommendations

Purpose of report: To present the 2012/13 Annual Governance Statement for approval

Report Approved by

Finance: Nigel Kennedy

Legal: Jeremy Thomas

Policy Framework: None

Recommendation(s): That the 2012/13 Annual Governance Statement be approved

Introduction

1. The Authority is required by the Accounts and Audit Regulations 2011 to review, annually, its internal controls environment and produce an Annual Governance Statement ("the Statement"). The Committee is required to consider and, if satisfied, approve the Statement. The Statement forms part of the Council's statement of accounts.

Recommendation

2. That the 2012/13 Annual Governance Statement be approved.

Name and contact details of author

Jeremy Thomas
Head of Law and Governance
Town Hall, Oxford OX1 1BX
Tel: 01865 252224 email: jjthomas@oxford.gov.uk

Background papers: Assurance Checklists for each Service.

Annual Governance Statement – 2012/13 Financial Year

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31st March 2013 and up to the date of the approval of the accounts.

The Governance Framework

7. The Corporate Plan 2013-2017 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community

organisations, the health and education sectors and the County Council. It also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and providing excellent value for money. This Corporate Plan sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment. This Corporate Plan was adopted by Council in February 2013 alongside budget setting. Prior to that the 12-16 plan was in place.

8. The City Council's priorities for the next four years are:

- A vibrant and sustainable economy
- Meeting housing needs
- Strong, active communities
- A cleaner, greener city
- An efficient and effective council

Council has also adopted and published targets for the Corporate Plan measures.

9. The Council has now embedded its use of Corvu as a tool for the recording, reporting and analysis of performance and risk. The Council now also uses Corvu for financial reporting and has integrated financial, performance and risk reporting to the City Executive Board on a quarterly basis..

10. A number of Programme Boards were in place throughout 12/13 and provided effective oversight of the large number of projects ongoing. The terms of reference and progress of each Board are reviewed on a quarterly basis by the Chief Executive and Executive Directors. The Council continued to use a Prince 2 approach to programme and project management.

11. In the last year the Council:

- achieved or exceeded 79% of its corporate targets
- won the silver award for Council of the year in the Improvement and Efficiency South East annual awards
- secured £1.5m European funding to progress its work on building a low carbon economy
- secured £0.31m Department of Energy and Climate Change funding to boost energy efficiency projects in the city
- adopted and promulgated organisationally a new values and behaviours framework for employees
- improved employee attendance and reduced sickness absence by 25% through robust attendance management
- achieved Investors in People accreditation for the whole Council and accreditation in the Equalities Framework for Local Government

12. Clear schemes for delegation for Council, the City Executive Board and Officers are set out in the Council's constitution. The role, purpose and terms of reference for scrutiny Committees and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information.
13. The Council has adopted a Code of Conduct for Officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Council adopted a new Code of Conduct for Members (in cooperation with all of the Oxfordshire Authorities) and local complaint handling arrangements in response to legislative changes introduced to the ethical standards regime within local government. The Council has retained a Standards Committee and appointed Independent Persons to advise the Monitoring Officer and Standards Committee in relation to complaints of breaches of the Code of Conduct for Members. The Monitoring Officer provided training opportunities in relation to ethical conduct, planning and licensing.
14. Council and the Executive review annually their schemes of delegation and the terms of reference of their committees (if any). All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified and articulated. There are comprehensive contract, financial and employment rules in the constitution. Each report to the City Executive Board is accompanied by a risk register and an equality impact assessment (where appropriate).
15. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council.
16. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting is underpinned by the constitution, prioritisation and savings action plans which are regularly reviewed and updated by the Executive.
17. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2012/13 financial year. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
18. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its CRM system so as to ensure the consistent capturing and reporting of customer feedback. The City Executive Board now receive

regular reports on customer feedback. There were no formal reports issued by the Local Government Ombudsman against the Council in this year. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.

19. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.
20. The Council undertook a review of its governance arrangements in 2012/13 in light of the additional models of governance permitted by the Localism Act 2011. The Council resolved to retain the Leader and Cabinet model but made a number of other changes to its governance arrangements including the cessation of single Member decision making, changes to scrutiny arrangements, changes to Council procedures and the introduction of monthly all Member briefings. The changes take effect from the start of the 2013/14 municipal year.

Review of Effectiveness

21. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
22. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:-
 - Risk Management
 - Business Performance
 - Projects and project management
 - Financial management
 - Fraud
 - Procurement and contract management
 - Human resources
 - Equality and Diversity
 - Data quality and security
 - Health and safety
 - External accreditations
 - Review and documentation of business critical processes
23. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for

improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.

Significant Governance Issues

24. The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound. The annual report from the Council's internal Auditors, which was reported to the Audit and Governance Committee in April 2013, did not identify any high risk issues which should be considered for inclusion in this Statement.

Area of Concern	Action Planned
<p><u>Major projects</u></p> <p>The Council has a significant number of key projects with a capital programme over the medium term in the order of £100m. Project failure could result in significant reputational and/or financial damage.</p>	<p>Robust project management, allocation of sufficient budget and close monitoring of risks and spend.</p>
<p><u>Budgetary pressures</u></p> <p>The Council has a significant savings programme over the medium term in the order of £12m, including £0.5m as a contribution to overheads derived from charging for discretionary services. In addition it is forecast that central government grant funding will continue to decrease and there will be implications flowing from welfare reform.</p>	<p>The creation and preservation of adequate budgetary contingencies and robust budget monitoring and management.</p>

